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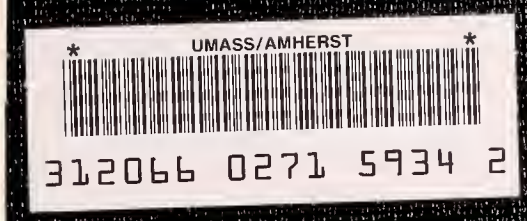

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MONITOR

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SPRING 1992 MASSACHUSETTS HEALTH AND EDUCATIONAL FACILITIES AUTHORITY VOL. 5, NO. 1

L-r: Jerome H. Grossman, M.D., President, NEMC, Edward M. Murphy, Executive Director, Mass. HEFA, and Dorothy E. Puhy, Chief Financial Officer, NEMC, at the closing of the Center's bond issue.

New England Medical Center Hospitals Issue $113 Million

New England Medical Center Hospitals (NEMC), the first health care facility established in New England with nearly 200 years of service to greater Boston residents, has laid the groundwork for the construction of a new eight-story facility. The facility will be financed with the proceeds from the sale of $113,745,000 revenue bonds issued through the Authority on February 13. NEMC, a 488-bed tertiary care referral, teaching and research hospital, is a primary teaching affiliate of the Tufts University Schools of Medicine and Dentistry.

The development plan includes the construction of an approximately 218,000 gross square foot facility to house an expanded maternity service and expanded labor/delivery suite; an expanded emergency department; 60 replacement medical/surgical beds and 18 new adult intensive care unit beds; a 40-bed neonatal intensive and intermediate care unit; and an expanded operating room/day surgery

continued on page 5

Med Center of Central Massachusetts Embarks On Building Plan

Issues $29,000,000

The Medical Center of Central Massachusetts (The Med Center) sold $29,000,000 revenue bonds on December 19 to an extremely receptive market. The Med Center is a 493-bed, two-campus acute care hospital in Worcester and a major teaching affiliate of the University of Massachusetts Medical School.

Bond proceeds will primarily be used to finance construction of a parking garage, to refinance existing debt, to fund various renovation projects, and to acquire new capital equipment and property. Funds from this bond issue will also be used for certain development activities and architectural plans for a new clinical facility The Med Center intends to construct. The Med Center received D.O.N. approval for the clinical facility last July from the Department of Public Health.

The transaction occurred in nearly optimal market conditions. The Med Center's bonds came to market during a period marked by interest rates at historically low levels both in the tax-exempt and taxable sectors. The week of the Med Center's pricing, the Bond Buyer Revenue Bond Index, a composite index of

continued on page 4

HEFA Sponsors Chapter 495 Briefing for Investment Community

The passage of Chapter 495 of the Acts of 1991, an Act Improving Health Care Access and Financing, was the featured topic of the Authority's most recent health policy forum. The forum, held in Boston on February 18 and New York on the following day, was attended by more than 200 investors, insurers, rating analysts and fund managers eager to understand the implications of the new legislation for capital access.

Moderated by Ned Murphy, the Authority's Executive Director, the panel was comprised of health care finance specialists and representatives from the Weld Administration. Mr. Murphy discussed the key provisions of the new legislation, including the new hospital payment system and changes to the Uncompensated Care Pool, Medicaid and hospital reporting requirements.

Charles D. Baker, Undersecretary for Health in the Executive Office of Health and Human Services, presented an overview of the new reimbursement system and detailed the Administration's efforts to proscribe a straightforward hospital finance policy through this legislation. Robert R. Fanning, President of Beverly Hospital and Vice Chairman of the HEFA Board of Directors, expounded on the implementation issues of the new legislation as viewed by hospital executives. In particular, Mr. Fanning focused on the Blue Cross efforts in negotiating voluntary hospital contracts.

Ann Thornburg, Coopers & Lybrand Partner-In-Charge of Health Care for the Boston Office and Northeast Region, gave a historical perspective of the succession of hospital finance legislation enacted during the last decade in Massachusetts and its impact on hospital bottom line performance. Mrs. Thornburg presented the overall strategic implications of Chapter 495, with particular emphasis on competitive charges and service mix and depth. Susan Nicholson, a Ropes & Gray health care lawyer, addressed the legal implications of operating in a new competitive environment. ■

Panelists for HEFA's Policy Forum were, standing l-r: Edward M. Murphy, Executive Director, Mass. HEFA; Ann M. Thornburg, Partner, Coopers & Lybrand; seated, l-r: Robert R. Fanning, President, Beverly Hospital; Charles D. Baker, Undersecretary for Health, Commonwealth of Massachusetts Executive Office of Health and Human Services; and Susan Nicholson, Esq., Ropes & Gray.

Joslin Diabetes Center in Market for $25 Million

Construction Plans Underway

Joslin Diabetes Center, Inc., an international leader in diabetes treatment and research commenced a major construction project on January 23, with the sale of $25,000,000 in revenue bonds through a private placement. The Center will use bond proceeds to construct a 79,000 square-foot, three-story addition, to renovate 17,000 square feet, and to prepay outstanding debt. The addition will almost double the Center's quarters and will be used to expand research, clinical and administrative space for Joslin staff.

The placement agent for Joslin's bonds was Cain Brothers, Shattuck and Company. The bonds were purchased by Morgan Guaranty Trust Company of New York. The Center entered into a multi-mode (initially, a weekly-reset mode), private-placement agreement. The initial rate was 3.511%.

HEFA Deputy Director Lydia Crowson commented, "We were very pleased with the placement of Joslin's bonds. They achieved a low-cost, flexible mode of financing to support their outstanding research and clinical operations." ■

ConnieLee Insures First Massachusetts Bond Issue For Massachusetts Community Colleges

Three Commonwealth community colleges participated in a new financing program estalished by the Authority. Bonds totaling $17,390,000 were sold for the three colleges, Berkshire, Middlesex and North Shore, on January 30. This was the first publicly-offered revenue bond issue for public institutions of higher education in Massachusetts. The transaction was also the first Massachusetts bond issue insured by the College Construction Loan Insurance Association (ConnieLee) through its insurance subsidiary.

At the closing of the Community Colleges bond issue are, l-r. Dr. George Traicoff, President, North Shore Community College; Dr. Cathryn L. Addy, President of Berkshire Community College; Paul G. Marks, Chancellor, Massachusetts Higher Education Coordinating Council; Dr. Carole A. Cowan, President, Middlesex Community College; C. Vincent Vappi, Chairman, Mass. HEFA; and Edward M. Murphy, Executive Director, Mass. HEFA.

Projects to be financed with bond proceeds include the development of an Allied Health and Laboratory Sciences Facility at North Shore Community College, the acquisition and renovation of a Health Science and Technology Center for Middlesex Community College, and the refinancing of a variable-rate commercial mortgage for the Berkshire Community College Foundation.

Chancellor Paul Marks of the Higher Education Coordinating Council expressed pleasure at the successful completion of this pioneering effort to develop alternative sources of capital for community colleges. "In the eighties, when Massachusetts was at a full market economy, the scarcity of allied health professionals was a real problem for the health care and biotechnology industries. Community colleges created academic programs then to meet that need and now have the ability to finance the proper facilities." He added, "With assistance from HEFA, public college and university campuses in Massachusetts have new and promising options for capital finance."

The issue was comprised of serial bonds maturing from 1993 to 2002 which were priced to yield from 3.50% to 6.10%. Two term bonds maturing in 2009 and 2022 sold at a slight discount with coupons of 6.50% and 6.60%, respectively. The bonds were underwritten by First Boston Corporation.

According to Edward M. Murphy, the Authority's Executive Director, the aggressive interest rates were in large part due to the bond insurance provided by ConnieLee. "With ConnieLee insurance the bonds were rated AAA and sold accordingly. We had been seeking ways to provide capital financing for institutions which, while at the lower end of the investment grade spectrum, are still deemed credit worthy by Authority analysts.

"ConnieLee provided credit enhancement for the community colleges because they meet its requirements for financial strength and insurability." He added, "We see a great deal of potential application for ConnieLee insurance in the Commonwealth. We were delighted with the success of this transaction and look forward to our continuing relationship with ConnieLee."

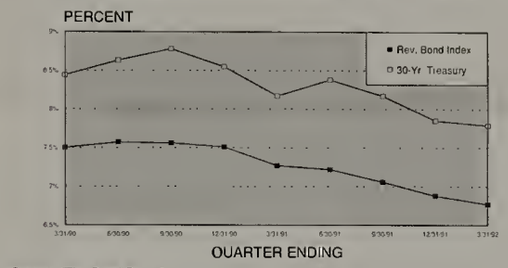
Authorized by an act of Congress in 1987, ConnieLee was incorporated as a private, for-profit corporation under the laws of the District of Columbia. ConnieLee has been active in the reinsurance market since its inception, having insured more than $4 billion in that market, and only recently entered the new-issue municipal bond insurance market last November. ConnieLee received its

continued on page 5

Interest Rates Hold — Windfall for Massachusetts Nonprofits

Speculation grows as to how long the current interest rate environment will hold, but the results of refinancings through the Authority are no less than astonishing. More than $59 million in present value savings have been realized by 11 hospitals and colleges during the last twelve months alone. CFO's statewide have carefully monitored rates to best position their institutions to take advantage of the situation.

TRACKING 30-YEAR INTEREST RATES
QUARTERLY AVERAGES
Revenue Bond Index (1) and 30-Year Treasuries (2)



Source: "The Bond Buyer"
(1) 25 Revenue bonds maturing in 30 years are used in compiling this index
(2) Yield on U.S. Treasury 30-year bonds.

Big winners include Charlton Hospital with present value savings of close to $9.5 million and Boston University with savings of nearly $5.4 million; both institutions sold bonds last spring. Recently, although the market has moved somewhat, present value savings opportunities still exist as evidenced by the $2.5 million savings realized by McLean Hospital, and Stonehill College's success in achieving more than $1 million. Both of those issues sold just last month.

For information regarding refinancings, please contact Lydia Crowson at 617-737-8377. ■

MCCM

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twenty-five, 30-year, tax-exempt revenue bonds with ratings of "A" or better, was reset to 6.84%, a nine-year low. In addition, the benchmark 30-year treasury bond was at a level of 7.66% the week of the financing, near its nine-year low of 7.11% and well below its nine-year average of 9.43%.

The serial bonds maturing from 1993 to 2001 were priced to yield 5.00% to 6.70%. Two term bonds, 2012 and 2021, sold at a slight discount and were priced to yield 7.12% and 7.82%, respectively. The bonds were underwritten by Prudential Securities Incorporated and were rated A, A- and A+ by Moody's, Standard & Poor's and Fitch, respectively.

At the closing of Medical Center of Central Massachusetts' bond issue are Allen A. Krause, Chief Financial Officer of MCCM, and Lydia Crowson, Deputy Director of Mass. HEFA.

In assigning an A rating, Moody's credit analysts noted that The Med Center's "successful three hospital merger has served to strengthen the medical center's market position and to stabilize and improve its financial performance after several years of losses at two of the acute care facilities. Although operating gains are modest presently, debt service coverage is very good."

Allen Krause, The Med Center's Chief Financial Officer commented, "We are very encouraged by the results of the financing. The market's reception to this bond issue puts The Med Center in an opportune position for the completion of our clinical facility." He added, "We look forward to a return in 1992." ■

HEFA FINANCINGS: APRIL 1991 THROUGH MARCH 1992

INDIVIDUAL BOND ISSUES

Institution	Location	Series	Amount	Sale Date	Term
Newton-Wellesley Hospital	Newton	D	$ 40,000,000	04/10/91	24 years, fixed
Charlton Memorial Hospital	Fall River	B	50,000,000	05/03/91	21 years, fixed
Boston University	Boston	J,K,L	95,925,000	06/06/91	40 years, RIBS SAVRS
Bentley College	Waltham	H	12,995,000	07/24/91	29 years, fixed
Boston College	Boston	J	36,760,000	07/25/91	29 years, fixed
Amherst College	Amherst	E	11,315,000	08/06/91	29 years, fixed
Berklee College of Music	Boston	C	13,000,000	08/07/91	29 years, fixed
NE Baptist Hospital	Boston	B	33,895,000	08/08/91	25 years, fixed
NE Deaconess Hospital	Boston	C	53,370,000	08/15/91	30 years, fixed
Winchester Hospital	Winchester	C	8,550,000	08/15/91	19 years, fixed
Fallon Healthcare System	Worcester	A	69,070,000	08/23/91	29 years, fixed
Massachusetts Institute of Technology	Cambridge	G	25,000,000	08/26/91	Variable
Mass Eye & Ear Infirmary	Boston	A	51,200,000	09/13/91	20 years, fixed
Saint Elizabeth's Hospital	Boston	C,D,E	93,185,000	09/18/91	30 years, ARC LEVRS
Lawrence General Hospital	Lawrence	B	10,885,000	09/19/91	10 years, fixed
Harvard University	Cambridge	N	141,820,000	09/20/91	29 years, fixed
Brigham and Women's Hosp	Boston	D	150,000,000	09/25/91	33 years, fixed
Notre Dame Health Care Ctr	Worcester	A	8,255,000	12/09/91	30 years, fixed
Worcester Polytechnic Inst	Worcester	E	23,745,000	12/11/91	17 years, fixed
Medical Ctr of Central MA	Worcester	A	29,000,000	12/19/91	28 years, fixed
Joslin Diabetes Center	Boston	A	25,000,000	01/23/92	Variable
Community Colleges Program		A	17,390,000	01/30/92	29 years, fixed
New England Medical Center Hospitals	Boston	F	113,745,000	02/13/92	29 years, fixed
McLean Hospital	Belmont	C	41,615,000	03/12/92	22 years, fixed
TOTAL			**$1,155,720,000**		

Community Colleges

CONTINUED FROM PAGE 3

license to operate in the Commonwealth from the Massachusetts Insurance Commission in January.

"Our mission is to increase the access of American academic institutions to the public capital markets," commented Oliver R. Sockwell, ConnieLee president and chief executive officer. These three community colleges, like many across the country, are financially sound but do not have huge endowments and 'deep-pocket' benefactors usually needed to access the market. However, we believe that the Commonwealth of Massachusetts is a leader in supporting broad access to higher education for its residents, and are pleased to have worked together in making this financing possible." ■

NEMC

CONTINUED FROM PAGE 1

suite. The plan also includes the construction of a 158,000 square foot outpatient care facility. Bond proceeds will also be used to fund renovations and equipment at NEMC's existing facilities. At the completion of the project, the Hospital expects to be licensed to operate 597 beds.

The bonds were initially priced fairly aggressively, yet were quickly over-subscribed and repriced at interest rates 10 basis points lower. The pricing advantage was in large part due to the absence of high grade Massachusetts paper in the market at the time and the combination of bond insurance with NEMC's extremely strong underlying credit. The bonds were insured by Financial Guaranty Insurance Company and carried its AAA/Aaa/AAA ratings by Standard & Poor's, Moody's and Fitch.

Serial bonds maturing from 1996 to 2006 were priced to yield from 4.90% to 6.40%. Term bonds due in 2012 and 2025 sold at a slight discount to yield 6.61% and 6.69%, respectively. The bond issue was underwritten by Kidder, Peabody & Co. Incorporated.

According to Ned Murphy, the Authority's Executive Director, "The NEMC bonds were well received in the market due to the Hospital's premier reputation in the health care industry. We are very content with the results of the sale." ■

IRS 'Pyramid Bond Regulations'

The Internal Revenue Service adopted new regulations affecting the reimbursement of internal advances which went into effect on March 2, 1992. The regulations are different in several respects from the proposed regulations which were discussed in the *Monitor* by HEFA's General Counsel, Martin Rainford, last summer.

In many respects the regulations have been made more lenient than had been proposed. But some specific requirements have been added. These must be followed in order to preserve access to tax exempt financing for any expenses incurred after March 2, 1992. A specific statement that the authorizing vote is a "declaration of official intent under Treasury Regulations Section 1.103-18" is now required. Additionally, the regulations make clear that any refinancing of a conventional loan with tax exempt bond proceeds will require a demonstration that the loan either did not reimburse internal advances or did satisfy the requirements of the regulations when the loan was made.

Transition rules permit the refinancing of certain expenditures which were made prior to March 2, 1992, but not before September 8, 1989.

The regulations no longer require that votes be adopted within two years of the actual financing, as long as the financing takes place within one year of the date the expenditure was paid or the property was placed into service.

For information

Any specific questions regarding the impact of the regulations can be directed to **Martin Rainford** at **617-737-8377.**

The Regulations also eliminated the requirement that at least 75% of the projects authorized by declarations of intent actually be financed, but require that such declarations be reasonable. One of the factors which can be used in determining reasonableness is whether the borrower has a pattern of prior failures to reimburse expense for which declarations of intent were made.

It is recommended that regular procedures with regard to adopting declarations of intent be instituted for any expenditure which is expected to be reimbursed from a later issue of tax exempt bonds. The Regulations also permit borrowers to designate officers who may make declarations of official intent for purposes of complying with the regulations.

Additional requirements with respect to the contents of the declaration, public availability of the declaration and limitations on the use of bond proceeds do apply. The Authority has copies of a bond counsel memorandum regarding the Reimbursement Regulations which will be made available on request. ■

Massachusetts Health and Educational Facilities Authority
99 Summer Street, Suite 1000
Boston, MA 02110

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MONITOR

SUMMER 1992 MASSACHUSETTS HEALTH AND EDUCATIONAL FACILITIES AUTHORITY VOL. 5, NO. 2

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South Shore Hospital Raises Capital

Issues $53.8 million for major renovations and refinancing

South Shore Hospital, a 340-bed, acute care community hospital located in Weymouth, launched a major renovation program with the sale of $53,825,000 tax-exempt bonds on April 30. Bond proceeds will be used in part to construct a new laboratory and central storage building, renovate the first floor of the main hospital facility for an ambulatory care center, renovate the medical/surgical units, and complete other renovation projects.

Like many hospitals with high-coupon debt outstanding, South Shore Hospital used the occasion of this bond issue to refinance, and take advantage of interest rates which are currently at a fifteen-year low. The Hospital completed an advance refunding of its Series B Bonds and realized net present value savings of $1,103,000.

Serial bonds maturing from 1993 to 2004 were priced to yield 3.70% to 6.35%. Two term bonds maturing in 2010 and 2022 were priced to yield 6.67% and 6.75%, respectively. The true interest cost was 6.84%. The bonds were insured by MBIA and carried its triple-A rating. Paine Webber Incorporated was the senior manager for the bond deal.

"I am very satisfied with the capital structure that has been created through this transaction," commented William A.

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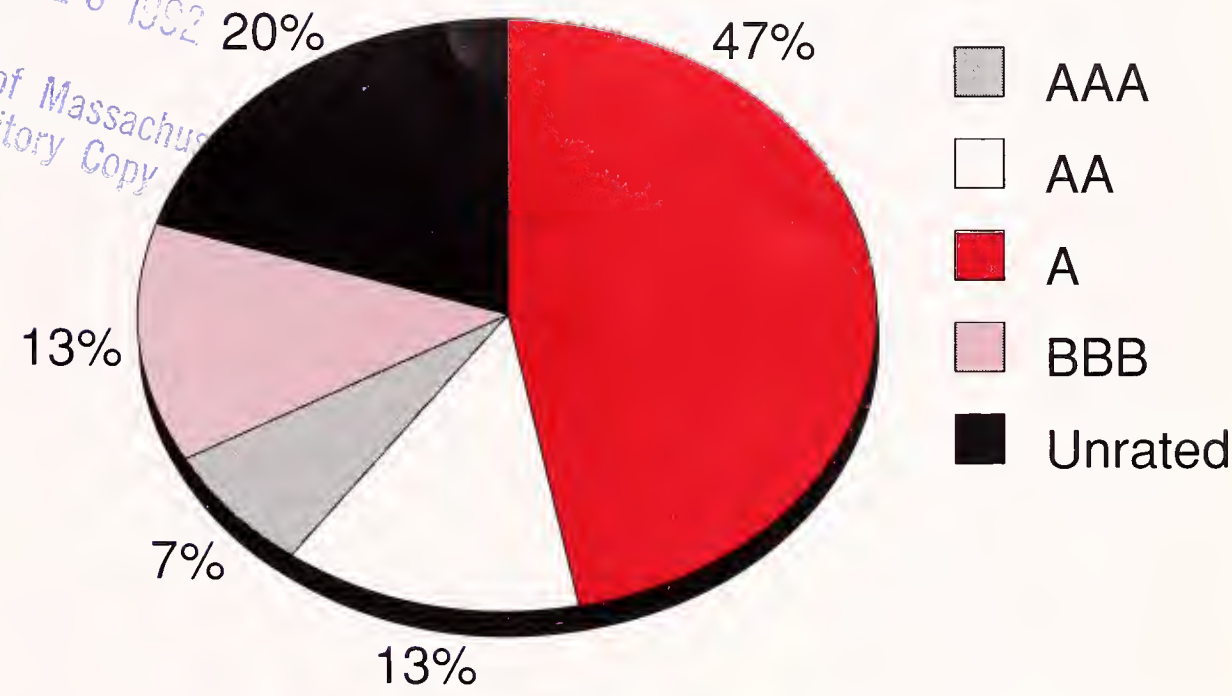
HEFA Issues $1.28 Billion in Record FY92



Ratings on Uninsured Bond Issues

The fiscal year ended June 30 was the biggest volume year in the 24-year history of the Massachusetts Health and Educational Facilities Authority. The Authority issued $1,282,005,000 in tax-exempt bonds, even surpassing the hectic period prior to the 1986 tax reform. Twenty-seven bond issues were sold for 11 colleges and universities, 14 hospitals and one long-term care facility.

Approximately $574 million was issued with bond insurance — 50.1% of higher education volume and 41.3% of health care volume. The Municipal Bond Investors Assurance Corp. insured 15.8% of Authority bonds for 6 nonprofit institutions. Financial Guaranty Insurance Company was the next largest insurer of bonds, covering $192,120,000 for 3 institutions. Capital Guaranty, FSA and Connie Lee insured one deal each with an aggregate volume of $179,645,000.

Seven of the 15 uninsured bond issues were rated in the A category; two issues were in the AA category; one AAA category and two were in the BBB category. An additional three were unrated.

According to HEFA Chairman C. Vincent Vappi, "HEFA board members closely monitor the results of each transaction on three levels: interest rates; transaction costs; and structure. I think we achieved remarkable success on each score for each transaction —there was no discernable slippage despite being

continued on page 5

Northeastern University in Market for $83 Million

Embarking on a major debt restructuring and new construction program, Northeastern University sold $83,015,000 in tax-exempt revenue bonds. Bond proceeds will finance the construction of a new Engineering Science Center and a new boiler plant. Renovations to the College of Business Administration and the acquisition of new equipment are also elements of the University's capital program.

At the closing of Northeastern University's bond issue are, l-r: Vincent Lembo, General Counsel; William E. Kneeland, Jr., Comptroller, Northeastern University; Robert L. Culver, Senior Vice President and Treasurer, Northeastern University; Joseph D. Murphy, Assistant Treasurer, Northeastern University; and Ned Murphy, Executive Director, HEFA.

The University, which is aggressively addressing the challenge of the current recession and enrollment crunch facing most universities, found a very receptive market for its bond sale. On the day of the bond sale, investors were scrambling to buy a dwindling supply of bonds. Despite an aggressive preliminary scale, demand for tax-exempts was so acute tha the issue was quickly oversubscribed causing the underwriter to reprice at interest rates five basis points lower than the preliminary rates for the serial bonds and two basis points lower for the 2012 term bond.

The issue was comprised of serial bonds maturing from 1993 to 2007 with interest rates ranging from 3.50% to 6.40%. Two term bonds— 2012 and 2022 — were priced to yield 6.50% and 6.60%, respectively. The true interest cost was 6.641%. Lehman Brothers was the senior manager. The bonds were insured by Municipal Bond Investors Assurance Corp. and carried its Aaa/AAA rating. ■

New England Deaconess Hospital Construction Program Underway

$107,675,000 issued

New England Deaconess Hospital commenced the second stage of a major construction program with the sale of $107 million in tax-exempt revenue bonds on April 10. The Deaconess, a 431-bed, adult specialty referral hospital, is a major teaching affiliate of the Harvard Medical School. In 1991, the Deaconess ranked first among the Boston teaching hospitals for case mix intensity for all patients as well as for Medicare patients and in the top 1% nationally in the intensity of its Medicare case mix. The Hospital also has market leadership in treating the complications of diabetes, in the diagnosis and treatment of heart disease and infectious disease, including Acquired Immune Deficiency Syndrome ("AIDS") and in performing transplantations.

The project to be financed with bond

continued on page 5

L-r: C. Vincent Vappi, HEFA Chairman; J. Richard Gaintner, M.D., President, New England Deaconess Hospital; Harold Hestnes, New England Deaconess Board member; William J. Robinson, Chief Financial Officer, New England Deaconess; Francis C. Taylor, Director and Manager, Prudential Securities, Inc.; and Edward R. Kushmerek, Director of Finance, New England Deaconess Hospital, at the closing of the Hospital's bond issue.

The Canadian Health Care System Examined in HEFA Policy Forum

"Comparative studies of international health systems offer intriguing potential for domestic problem-solving," commented Ned Murphy, the Authority's Executive Director, as he convened the sixth event in the HEFA Health Policy Series which focused on the health care system in Canada. Previous forums in the series have examined the health care delivery and reimbursement structures in Germany, Japan, Maryland, and California.

The Canadian health care system is characterized by universal and comprehensive social insurance delivered with public funds within a private framework. The Canadian system operates with private physicians, for the most part in solo practice, and with nonprofit hospitals.

The forum featured Jane Fulton, Ph.D., a professor in the strategic management division of faculty administration at the University of Ottawa. She is co-author of *Health Care in Canada*, has a weekly program on CBC radio called "Health Watch," and is also a commentator for Canada AM. Dr. Fulton holds committee appointments on the Medical Research Council of Canada and the Science Council of Canada, and is Director of Research for the Advisory Committee on Revision of Public Hospitals Act of Ontario.

Dr. Fulton described the evolution of the Canadian system and compared and contrasted elements of the American and Canadian systems. Discussing cost controls, Dr. Fulton elaborated on six areas where the Canadian system has met with success:

- Fixed fee schedules are negotiated by the provinces and

continued on page 4

Jane Fulton, Ph.D., Associate Professor at the University of Ottawa, Ontario, addresses participants in HEFA's Health Policy Forum on Canada.

McLean Hospital Refinances

Issues $41,615,000 in tax-exempt bonds

McLean Hospital, the first psychiatric hospital established in New England, commenced a major refinancing of existing debt with the sale of $41,615,000 in bonds. Located in Belmont, McLean has as its sole corporate member the Massachusetts General Hospital. McLean, a 328-bed tertiary referral center, is an teaching affiliate of Harvard Medical School.

Bond proceeds were used to refinance the Hospital's Series B bond issue which sold in 1986. The refinancing resulted in present value savings of 992,000. Bond proceeds were also used to reimburse the Hospital for internal advances made as part of a construction and renovation program.

The bonds were insured by FGIC and carried its AAA rating. Senior manager on the transaction was Kidder, Peabody & Co., Incorporated. The bond issue was comprised of serial bonds maturing from 1993 to 2006 that were priced to yield 3.50% to 6.55%. Two term bonds — 2010 and 2015 — sold at a slight discount, with coupons of 6.50% and 6.62%, respectively. ■

Signing closing documents at the closing of the Hospital's bond issue are, seated, l-r, Richard Boskey, Esq., counsel for Massachusetts General Hospital; Arnold R. Saitow, Associate General Director at McLean Hospital; and Anne P. Ogilby, Esq., of Ropes & Gray. Standing are Jean M. DeLuca, Esq., Palmer & Dodge; Lydia E. Crowson, Deputy Director, Mass. HEFA;

Stonehill College Issues $28,595,000 for Refinancing and New Projects

Stonehill College, located in North Easton, issued $28,595,000 in tax-exempt revenue bonds on March 27. Bond proceeds will be used for the refinancing of existing debt as well as for acquisition of land and site development for a new project. The refinancing of existing debt will result in approximately $1,075,000 in present value savings.

The Stonehill Series E issue was comprised of serial bonds maturing from 1993 to 2006 which were priced to yield from 3.50% to 6.45%. Two term bonds maturing in 2016 and 2020 were priced to yield 6.639% and 6.678%, respectively. The true interest cost was 6.76%. The bonds were senior managed by Adams, Harkness, & Hill, inc. The bonds were insured by MBIA and carried its triple A rating. ■

Signing documents at the College's bond closing are, l-r: Rev. Bartley MacPhaidin, President of Stonehill College; Edward P. Casieri, Treasurer, Stonehill College; and Lydia Crowson, Deputy Director, Mass. HEFA.

Canada

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physicians through their associations;

- Global budgets are used to constrain institutional operating costs;
- Slow diffusion of costly, new technology;
- Comprehensive universal coverage, producing fewer distortions in the needed pattern of services;
- A regionalized single-payer system that reduces administrative costs;
- Increased reliance on primary rather than specialty care.

The health policy series will continue in the fall when the health care system in Hawaii will be examined. Copies of the briefing materials for each of the forums are available by contacting the Authority at 617-737-8377. ■

South Shore

CONTINUED FROM PAGE 1

McCready, Senior Vice President/ Treasurer of South Shore Hospital. "The refinancing puts us on a firm financial footing and the new construction and renovations will enhance our ability to continue to provide high-quality care to the citizens of the South Shore," he added. ■

Documents are signed at South Shore Hospital's bond closing by William A. McCready, Senior Vice President/Treasurer of South Shore Hospital, and Linda Port, Esq., of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

HEFA FINANCINGS: JULY 1991 THROUGH JUNE 1992

INDIVIDUAL BOND ISSUES

Institution	Location	Series	Amount	Sale Date	Term
Bentley College	Waltham	H	$ 12,995,000	07/24/91	29 years, fixed
Boston College	Boston	J	36,760,000	07/25/91	29 years, fixed
Amherst College	Amherst	E	11,315,000	08/06/91	29 years, fixed
Berklee College of Music	Boston	C	13,000,000	08/07/91	29 years, fixed
New England Baptist Hospital	Boston	B	33,895,000	08/08/91	25 years, fixed
New England Deaconess Hospital	Boston	C	53,370,000	08/15/91	30 years, fixed
Winchester Hospital	Winchester	C	8,550,000	08/15/91	19 years, fixed
Fallon Healthcare System	Worcester	A	69,070,000	08/23/91	29 years, fixed
Massachusetts Institute of Technology	Cambridge	G	25,000,000	08/26/91	Variable
Massachusetts Eye & Ear Infirmary	Boston	A	51,200,000	09/13/91	20 years, fixed
Saint Elizabeth's Hospital	Boston	C,D,E	93,185,000	09/18/91	30 years, ARC LEVRS
Lawrence General Hospital	Lawrence	B	10,885,000	09/19/91	10 years, fixed
Harvard University	Cambridge	N	141,820,000	09/20/91	29 years, fixed
Brigham and Women's Hospital	Boston	D	150,000,000	09/25/91	33 years, fixed
Notre Dame Health Care Center	Worcester	A	8,255,000	12/09/91	30 years, fixed
Worcester Polytechnic Institute	Worcester	E	23,745,000	12/11/91	17 years, fixed
Medical Center of Central Massachusetts	Worcester	A	29,000,000	12/19/91	28 years, fixed
Joslin Diabetes Center	Boston	A	25,000,000	01/23/92	Variable
Community Colleges Program		A	17,390,000	01/30/92	29 years, fixed
New England Medical Center Hospitals	Boston	F	113,745,000	02/13/92	29 years, fixed
McLean Hospital	Belmont	C	41,615,000	03/12/92	22 years, fixed
Stonehill College	North Easton	E	28,595,000	03/27/92	27 years, fixed
New England DeaconessHospital	Boston	D	107,675,000	04/10/92	27 years, fixed
Northeastern University	Boston	E	83,015,000	04/15/92	27 years, fixed
South Shore Hospital	South Weymouth	D	53,825,000	04/30/92	29 years, fixed
Boston University	Boston	M	10,770,000	05/06/92	30 years, fixed
TOTAL			**$1,253,675,000**		

Deaconess

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proceeds consists of the construction of a 330,000 gross square foot, six-story clinical facility and the renovation of approximately 34,700 square feet of existing space. The new clinical facility, which is expected to be completed by December 1994, is intended to expand and upgrade the Hospital's facilities and will house 72 of the Hospitals's medical/surgical beds, 50 ICU beds, a surgical suite, a post-anaesthesia care unit, and a diagnostic radiology and imaging facility. The renovated space is intended to house 48 psychiatric beds.

The bonds sold in an extremely strong market with serials maturing from 1995 to 2006 priced to yield from 5.25% to 6.85%. Two term bonds — 2012 and 2022 — sold at a discount with coupons of 6.625% and 6.85% respectively. The senior manager was Prudential Securities Incorporated. Moody's Investors Service, Inc., Standard & Poor's Corporation and Fitch Investors Service each assigned the bonds the rating of A. ■

HEFA

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in the market continuously."

"The unprecedented volume this fiscal year is due to the strength of the current interest rate environment," commented HEFA Executive Director Ned Murphy. "Late last summer, interest rates were at a 14-year low. Many institutions refinanced high-coupon debt resulting in significant present value savings." He added, "Institutions that had foregone capital development programs due to the uncertainty of the economy have recently raised capital to take advantage of a very competitive construction market. They are finding construction bids 10% to 20% lower than the last few years." ■

IRS Retools Working Capital Regulations

Changes welcomed by 501(c)(3) institutions

The IRS recently released regulation changes welcomed by 501(c)(3) institutions which liberalize the rules for borrowing for working capital on a tax-exempt basis. These regulations took effect June 17, 1992, and permit 501(c)(3) hospitals and nursing homes to borrow for working capital purposes if the requirements of the regulations are met for that borrowing.

Historically, tax exempt institutions could only borrow for working capital if they had no other resources ("Available Amounts") available for that purpose. These financings were also handicapped by a "useful life test" that required that the average maturity of the bonds not exceed the average useful life of the asset financed. In the case of working capital, there had not been an agreed upon "useful life" of the asset, so the life had always been treated as zero. This required borrowing be done in conjunction with a larger capital project to obtain an average useful life sufficient to support the issuance of long term bonds.

The new regulations modify the Available Amounts rule and eliminate the useful life test.

Important provisions of the new regulations include:

1) Borrowing for working capital is permitted even if the borrower has a reasonable cash cushion on hand, generally not exceeding 10% of its actual working capital expenditures for the prior fiscal year. (Cash, for this purpose, includes all investments held by the institution or any member of the same controlled group which can be used for the issuer's working capital expenses without legislative or judicial action.)

2) Up to 5% of bond proceeds may be used for working capital if related to the capital expenditures being financed, without regard to the preceding requirement.

3) The 120% useful life test does not apply to financing of working capital.

4) Borrowing for extraordinary non-periodic legal judgments, issuance costs, reasonable charges for qualified credit enhancement costs, and funding of a bona fide debt service fund may also be utilized without regard to the availability of other sources of funds.

5) The recent "reimbursement regulations," which require adoption of a notice of intent before advancing the costs of expenses to be reimbursed from bond proceeds, do not apply to working capital loans. So long as these advances meet the requirements of the working capital regulations, they may be refinanced. ■

For information

If you are interested in working capital financing, please call Martin Rainford at 617-737-8377.

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